

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose
SPONSOR: California Food Policy Advocates

BILL NUMBER: AB 2844
AUTHOR: J. Laird
RELATED BILLS: AB 1060, SB 179

BILL SUMMARY: Public Social Services: CalWORKs: Food Stamps

This bill would repeal the quarterly reporting requirements for redetermining recipient eligibility and benefit amounts in the California Work Opportunity and Responsibility to Kids (CalWORKs) program, the federal Food Stamp program, and the state-only California Food Assistance Program (CFAP). Instead, this bill would impose semiannual reporting requirements for eligibility and benefit redetermination for recipients of these programs, to be implemented no later than July 1, 2009.

FISCAL SUMMARY

The semiannual reporting system as proposed by this bill would result in automation and one-time costs of \$19 million in the first year and grant savings of \$12.9 million ongoing. However, the bill would not allow the state to realize administrative savings unless the counties can reconcile actual county costs to determine whether savings have occurred.

Additionally, five limited-term Associate Governmental Program Analyst (AGPA) positions would be required at the state level to implement the program at a General Fund cost of \$225,000 in the first year and \$450,000 ongoing.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- The bill delays administrative savings from being realized until such time that the savings can be measured against actual costs. Further, the bill does not allow for a reduction in administrative funding until the savings exceed any underfunding the counties may have experienced. These provisions would delay the state's ability to realize administrative savings for some time.
- The income reporting threshold established in the bill is too high. Provisions in the bill would require a recipient to report changes in income that are the lesser of one half of the monthly income for a family of four at the federal poverty level (currently \$883) or the amount that would render the recipient ineligible for food stamp benefits. Such high income reporting thresholds delays notification of significant income changes and results in higher grant costs. Lowering the threshold would ensure that a recipient's grant more accurately reflects their actual income levels.
- While there would be some grant savings from the proposal, linking the income reporting threshold to the federal poverty level would cause those grant savings to erode as the federal poverty level for a family of four increases.
- The timeline for implementation of this bill may not be administratively feasible. The Department of Social Services (DSS) would not have sufficient time to develop semiannual reporting policy or prepare an All County Letter with implementation instructions. Further, the timeline would not give counties enough time to reprogram automation systems for semiannual reporting changes.
- This bill provides for staggered implementation of semiannual reporting requirements by recipient, which could lead to payment errors, federal penalties, and the requirement that counties maintain dual reporting systems until semiannual reporting is fully implemented.

ANALYSIS

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|----------------------------------------|------|---------------------------------------------|------|
| Analyst/Principal (0591) E. Swanson | Date | Program Budget Manager Michael Wilkening | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____ |
| | | | Position Disapproved _____ |

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| BILL ANALYSIS | Form DF-43 (Rev 03/95 Buff) |
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J. Laird

Original

AB 2844

A. Programmatic Analysis

Current law establishes the federal Food Stamp program, under which each county distributes food stamp benefits provided by the federal government to eligible households, and the CalWORKs program, under which each county provides cash assistance and support services to qualified low-income families. Current law also establishes the CFAP, which distributes state-funded food stamp benefits to eligible legal immigrants residing in California. Under existing law, a county is required to make an annual redetermination of eligibility for purposes of CalWORKs, Food Stamp, and CFAP benefits, and is additionally required to redetermine recipient eligibility and benefit amounts on a quarterly reporting/prospective budgeting basis. Within the quarterly reporting period, if a recipient becomes ineligible for benefits for reasons other than a change in income, the county is required to discontinue benefits. Current law also requires mandatory reporting by recipients and an appropriate adjustment to benefits during the quarterly period for receipt of income that may render the recipient ineligible, a drug felony conviction within the assistance unit, or an individual within the assistance unit fleeing prosecution or custody, or violating a condition of probation or parole.

This bill would repeal quarterly reporting/prospective budgeting requirements for the CalWORKs program, the Food Stamp program, and the CFAP program, and require semiannual reporting/prospective budgeting to redetermine eligibility and benefit amounts for these programs. The bill would maintain all mid-quarter mandatory and voluntary reporting required by the recipient. The bill would also implement an income reporting threshold whereby a recipient must report income changes that are the lesser of one half of the monthly income for a family of four at the federal poverty level or the amount likely to render the recipient ineligible for federal food stamp benefits. This bill would allow for staggered implementation by individual recipients but counties must implement semiannual reporting provisions for all recipients by October 1, 2009.

Discussion – The bill's sponsor states that the intent of this bill is to simplify the Food Stamp program in California by reducing programmatic and administrative barriers that prevent all eligible families from receiving federal or state food stamp benefits. According to the sponsor, the U.S. Department of Agriculture estimates that two million Californians are eligible for Food Stamps but are not receiving them, resulting in the state foregoing nearly \$2 billion of federal Food Stamp benefits. The sponsor asserts that this bill would reduce administrative workload on counties by reducing recipient reporting requirements.

As mentioned above, this bill would give counties the option of staggering the implementation of semiannual reporting by individual recipient. Staggering implementation by individual recipient would be extremely difficult for counties, as they would need to utilize two sets of laws and regulations for different percentages of their caseload for a six-month period, resulting in different treatment of recipients living in the same county. This could result in payment errors, food stamp quality control penalties, and federal sanctions. Staggered implementation would also require county consortia to automate and maintain dual reporting systems until semiannual reporting is fully implemented.

The timeframes in which to implement semiannual reporting requirements may not be administratively feasible. The bill requires implementation no later than July 1, 2009. This timeframe would not give the DSS sufficient time to develop new policy, draft All County Letters, and draft emergency regulations. When the DSS switched to the quarterly reporting/prospective budgeting method, it took over six months to work with stakeholders, finalize the policy, and release an All County Letter. Additionally, the bill would not give automation consortia sufficient time to reprogram system changes, which would take between 12 and 18 months after the release of the implementing All County Letter.

B. Fiscal Analysis

This bill would result in increased local assistance automation costs in the first year of implementation, followed by grant and administrative savings for the CalWORKs and CFAP programs in future years. The bill provides for staggered implementation, and it is difficult to estimate how individual counties would approach the option of staggering implementation of semiannual reporting by individual recipient. However, given that the bill requires implementation by July 1, 2009, and that automation costs likely would need to occur prior to implementation of semiannual reporting, this analysis assumes all automation costs would be made in the 2008-09 fiscal year, and annualized grant savings would occur in future years.

(3)
BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

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| AUTHOR | AMENDMENT DATE |
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Form DF-43
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AB 2844

General Fund Impact of Semiannual Reporting Requirements (dollars in thousands)

| Component: | 2008-09 | 2009-10 + |
|----------------------|------------------|--------------------|
| CalWORKs Grants | \$ 0 | (\$11,700) |
| CFAP Benefits | 0 | (1,170) |
| Implementation Costs | 19,000 | 0 |
| Total Costs | \$ 19,000 | (\$ 12,870) |

Additionally, the DSS would require five limited-term Associate Governmental Program Analyst (AGPA) positions. These positions would be responsible for developing policy, drafting All County Letters and regulations, and overall development of the program. These positions would result in additional General Fund spending of \$225,000 in the first year and \$450,000 ongoing.

While the bill would provide for both grant and administrative savings in the CalWORKs program, the bill delays administrative savings from being realized until such time that the savings can be measured against actual costs. Further, the bill does not allow for a reduction in administrative funding until the savings exceed any underfunding the counties may have experienced. These provisions would delay the state's ability to realize administrative savings for some time.

Provisions in the bill would require a recipient to report changes in income that are the lesser of one half of the monthly income for a family of four at the federal poverty level or the amount that would render the recipient ineligible for food stamp benefits. Currently, the federal poverty level for a family of four is set at \$1,767 per month (50 percent of which is \$883). According to the bill, a CalWORKs recipient would not have to report a change in income until their income increases by this amount. Such a high income reporting threshold delays notification of significant income changes and results in higher grant costs. Lowering the threshold would ensure that a recipient's grant more accurately reflects their actual income levels. Further, linking the income reporting threshold to the federal poverty level would cause any grant savings to erode as the federal poverty level for a family of four increases.

| Code/Department Agency or Revenue Type | SO | (Fiscal Impact by Fiscal Year) | | | | | | | |
|----------------------------------------------|----|--------------------------------|----|-----------|----|-----------|----|-----------|-----------|
| | LA | (Dollars in Thousands) | | | | | | | |
| | CO | PROP | | | | | | | |
| | RV | 98 | FC | 2008-2009 | FC | 2009-2010 | FC | 2010-2011 | Fund Code |
| 5180/Social Svcs | LA | No | C | \$19,000 | M | -\$12,800 | M | -\$12,800 | 0001 |
| 5180/Social Svcs | SO | No | C | \$225 | C | \$450 | C | \$450 | 0001 |